

SUBCOMMITTEE NO. 3

Agenda

Chair, Senator Denise Moreno Ducheny
Senator George C. Runner
Senator Tom Torlakson



Thursday, May 19, 2005
(Upon Adjournment)
John L. Burton Hearing Room (4203)
Consultant, Anastasia Dodson

Vote Only Agenda

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Please Note: Only those items and issues contained in this agenda will be discussed at this hearing. Issues pertaining to these items may be reviewed again. Please see the Senate File for dates and times of subsequent hearings.

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Vote Only Agenda

0530 Health and Human Services Agency (HHS Agency)

Issue 1: Transfer Automation Projects to HHS Agency

Description: The Governor's Budget proposed to transfer the Health and Human Services Data Center (HHSDC) Systems Management Services (including all ten automation projects) to the Health and Human Services Agency (HHS Agency), and rename Systems Management Services as the Office of System Integration (OSI). The Administration has submitted April Finance Letters and May Revision proposals to make technical changes to implement this transfer.

Background:

- **Governor's Budget:** Effective July 1, 2005, the Governor's Budget proposes to eliminate the HHSDC and consolidate the HHSDC Operations component and the Teale Data Center into the newly proposed Department of Technology Services. This consolidation proposal is in response to Legislative direction in the Budget Act 2003 to consolidate data center activities. A Governor's Reorganization Plan is pending to implement this consolidation.

Due to concerns about the high level of oversight needed to successfully implement and maintain large automation projects, the Administration proposes to transfer the Systems Management Services program to the HHS Agency. This component includes nine projects sponsored by the Department of Social Services (DSS), and one project sponsored by the Employment Development Department. The proposal would shift 151.8 positions and \$219 million from HHSDC Systems Management Services for project management and operations and 24.0 positions and \$4 million from HHSDC Operations for administrative support to the HHS Agency.

- **Spring Finance Letters:** The Administration proposed budget bill language and trailer bill language to implement the transfer of the automation projects to HHS Agency. These proposals would be replaced by language proposed in the May Revision.
- **May Revision:**
 - **Office of Systems Integration Fund:** The May Revision proposes to establish the Office of Systems Integration Fund, which would replace the HHSDC Revolving Fund for the DSS and EDD automation projects. State and federal funds from DSS would be transferred to the Office of Systems Integration Fund for management of specified automation projects. DSS funding for automation projects is currently transferred to the HHSDC Revolving Fund.
 - **Amended Budget Bill Items and Language:** The May Revision proposes various amendments and additions to the budget bill for the HHS Agency and DSS to reflect the transfer of the automation projects to HHS Agency.

- **Revised Trailer Bill Language:** The May Revision proposes updated trailer bill language to establish the Office of Systems Integration and specify that its functions are substantially similar to the HHSDC System Management Services.
- **LAO Recommendations:**
 - **Transfer Projects to DSS:** The LAO recommends that all DSS-sponsored projects be placed in DSS, as the DSS is the primary sponsor of these projects, and should be held accountable for the projects' success. The LAO also notes that agencies are designed to provide policy direction and oversight, rather than carry out day-to-day operational responsibilities.
 - **Trailer Bill Amendments:** Notwithstanding the recommendation above, the LAO recommends that the Administration's proposed trailer bill language be amended to 1) require Legislative approval before additional automation projects can be managed by the HHS Agency and 2) require periodic review of completed projects to determine if they can be transferred back to their sponsor departments.

Recommendation:

1. Adopt the May Revision proposed budget bill language (as amended below) for HHS Agency and DSS, and adopt the May Revision trailer bill language, as amended to reflect the LAO recommendations.
2. Amend Provision 1 of 0530-001-9732 as follows: "Notwithstanding any other provision of law, the Department of Finance may adjust this item of appropriation to correct any technical errors related to the Data Center reorganization plan not sooner than 30 days after notification in writing of the necessity therefore to the chairperson of the committee in each house of the Legislature that considers appropriations and the Chairperson of the Joint Legislative Budget Committee, or not sooner than whatever lesser time the chairperson of the committee, or his or her designee, may in each instance determine."

Issue 2: Automation System Adjustments

Description: The May Revision proposes a number of adjustments to funding for automation systems, both in the DSS and the HHS Agency.

Background:

- **Case Management Information and Payrolling System (CMIPS) Enhancements (DSS Issue 175)**—An increase of \$789,000 (\$493,000 General Fund) is requested by DSS due to a delay of CMIPS enhancement activities associated with the IHSS Quality Assurance (QA) Initiative, the federal IHSS Waiver, and the Share-of-Cost Buyout. This augmentation is a carryover of 2004-05 funding and does not result in an increase of the

overall costs of CMIPS enhancements. The delay is not expected to affect QA savings or the receipt of federal funds for the Waiver.

- **CMIPS II Contract Procurement (DSS Issue 180 and HHS Agency Issue 007)**—A decrease of \$466,000 (\$233,000 General Fund) for DSS is requested to reflect the delay in the CMIPS II project. This delay is not expected to affect federal funding for the project.

A net decrease of \$239,000 Office of Systems Integration Fund is requested for HHS Agency. The Governor's Budget included \$12.9 million for the procurement of CMIPS II. However, the Design Development and Implementation (DDI) phase of the project has been delayed by approximately four months. This request is to align HHS Agency expenditure authority with the project schedule. This request includes an augmentation of \$222,000 in expenditure authority to contract for 9.0 consultants needed for the DDI phase. It also includes an offsetting reduction of \$461,000 of expenditure authority to reflect the project delay. The net change would be a decrease in expenditure authority of \$239,000.

- **Los Angeles Eligibility, Automated Determination, Evaluation, and Reporting (LEADER) Project Vendor Rate Reduction (DSS Issue 160)**—A decrease of \$3,179,000 (decreases of \$891,000 General Fund and \$2,324,000 Federal Trust Fund, and an increase of \$36,000 Reimbursements) for DSS is requested to reflect reduced LEADER costs resulting from a negotiated rate reduction in the latest vendor contract extension.
- **Welfare Client Data System Project Caseload and Conversions (DSS Issue 165)**—An increase of \$15,370,000 (\$6,151,000 General Fund) for DSS is requested to reflect increased Welfare Client Data System (WCDS) costs due to increased caseload and conversion of closed cases from the previous Legacy system.
- **WCDS Project Implementation Support (DSS Issue 166)**—An increase of \$9,748,000 (\$3,901,000 General Fund) for DSS is requested to mitigate implementation difficulties for the bulk of remaining counties yet to convert to the WCDS system. The department indicates these resources would fund a vendor support team, increased training and coaching time for county expert coaches and a higher ratio of 1 coach per 15 caseworkers. For those counties that feel extended support for transition activities is necessary for an additional month following implementation, the state would make available additional funding, for which participating counties would have a 40 percent share-of-cost of the non-federal portion.
- **Electronic Benefits Transfer (EBT) System Reprocurement (DSS Issue 197 and HHS Agency Issue 005)**—An increase of \$739,000 (\$246,000 General Fund) in DSS is requested to reflect activities associated with the EBT reprocurement. An increase of \$723,000 OSI Fund is requested in the HHS Agency. The current contract for the EBT system expires in 2008. This request is to begin a three-year reprocurement project to obtain a new EBT solution prior to contract expiration. Funding would be used to

contract for 4.0 consultants and pay for associated overhead. The consultants would develop technical requirements for a Request for Proposal and oversee implementation of a new EBT system. The Governor's Budget reflects 3.0 DSS positions for EBT procurement.

- **LAO Recommendation:** The LAO has no concerns with any of the adjustments above, with the exception of the CMIPS II proposal. The LAO indicates that the administration is requesting to hire nine consultants to perform various functions for the new CMIPS system. Their review found that three of the consultants (the Configuration Management Analyst, the System Engineering/Interface Manager, and the Test Lead) will be performing ongoing tasks that will occur over the life of the new system. The LAO indicates that typically consultants are used for temporary or short term activities, and that state staff should be used for ongoing activities. For this reason, they recommend that the Legislature approve the CMIPS II proposal and also authorize three additional state positions.

Recommendation: Adopt the May Revision proposed adjustments.

4170 California Department of Aging (CDA)

Issue 3: Health Insurance Counseling and Advocacy Project

Description: Beginning in November 2005, approximately 4.1 million California Medicare beneficiaries will make enrollment decisions for Medicare Part D prescription drug benefits. As a result, demand for local Health Insurance Counseling and Advocacy Program (HICAP) services is expected to dramatically increase. The department has submitted a spring finance letter to reflect \$1.8 million in additional federal funds for local HICAP organizations to expand Part D education and outreach, as well as 3.0 additional CDA positions.

Background:

- **Medicare Modernization Act (MMA) Enrollment in Late 2005:** The MMA created a new Part D prescription drug benefit for Medicare beneficiaries. The initial enrollment period will run from November 15, 2005 through May 15, 2006 for most beneficiaries, but only from November 15, 2005 through December 31, 2005 for beneficiaries eligible for both Medicare and Medi-Cal (dual eligibles). Over 4.1 million Californians, including 1.7 million dual eligibles, may enroll in Medicare Part D.
- **Health Insurance Counseling and Advocacy Program (HICAP):** HICAP is a volunteer-supported program that provides consumers with information about Medicare, related health care coverage, and long-term care insurance. In 2004, HICAP had over 800 counselors, who fielded 90,000 consumer phone calls, 40,000 of which resulted in insurance counseling appointments. This figure is expected to increase substantially in the last few months of 2005 and the spring of 2006 when 4.1 million Californians begin

enrolling in Part D. Based on conservative estimates, HICAP workload may double in 2005-06, compared to 2004-05.

- **2005-06 CDA Position Requests:** The Governor's Budget proposes to use \$93,000 in existing federal funds to establish 1.0 permanent position to develop training and program standards for the HICAP. A spring finance letter requests \$283,000 for 3.0 additional CDA positions in 2005-06 for additional workload associated with MMA, including oversight and coordination of HICAP efforts, implementation of data performance and outcomes measures, analysis of federal MMA regulations, and maintaining HICAP counselor handbooks and program operations manuals. CDA currently has 1.8 positions to support the HICAP program, aside from the 4.0 requested positions.
- **HICAP Program Funding:** HICAP is funded by a \$1.05 per person assessment on Medicare health care services plans, plus funds from the Insurance Fund matched on a 2-to-1 basis with the health plan assessments. Current statute allows the assessment to range from seventy cents per person to one dollar and twenty cents per person. Current statute also requires the Department of Finance to biennially review demographic information and the Insurance Fund match ratio to determine if changes in this ratio are appropriate. Note that there is currently a \$1.9 million reserve in the State HICAP Fund.
- The spring finance letter also reflects \$1.5 million in additional local assistance federal funds for MMA outreach, which would increase total local assistance funding for HICAP to \$7.8 million in 2005-06. Local assistance funding for HICAP in 2004-05 is \$6.8 million.

Recommendation:

1. Adopt the spring finance letter to establish 3.0 positions in CDA for HICAP and provide \$1.5 million for local HICAP sites.
2. Conform to Assembly action and adopt placeholder trailer bill language to increase funding for HICAP by \$2 million by increasing the HICAP assessment, and allocate the entire \$2 million in additional funding to local HICAP agencies and prohibit the use of this funding for the Department of Aging or Area Agency on Aging administrative costs.

4200 Department of Alcohol and Drug Programs (DADP)**Issue 4: Office of Problem Gambling – Culturally Competent Materials**

Description: The Office of Problem Gambling (OPG) is funded by \$3.0 million from the Indian Gaming Special Distribution Fund in each of the current and budget years. The California Commission on Asian and Pacific Islander American Affairs indicates a need for more

culturally-competent literature on problem gambling in languages other than English, and other culturally appropriate activities to address problem gambling.

Background: The Office of Problem Gambling (OPG) was established in August 2003 to reduce the prevalence of problem and pathological gambling. The first priority of the OPG is to develop a statewide plan for a problem gambling prevention program that includes:

- A toll-free telephone service for immediate crises management and containment.
- Public awareness campaigns.
- Empirically driven research programs.
- Training of health care professionals and educators, and training for law enforcement agencies and nonprofit organizations.
- Training of gambling industry personnel in identifying customers at risk for problem and pathological gambling and knowledge of referral and treatment services.

The department reports about \$200,000 in unspent current year funding.

The California Commission on Asian and Pacific Islander American Affairs reports the need for literature that addresses problem gambling translated into widely spoken Asian languages. The Commission believes that unspent current year funding at the OPG could be used for this one-time purpose.

Recommendation: Conform to Assembly action to adopt budget bill language to reappropriate unspent current year Office of Problem Gambling Funds for the creation of culturally-competent literature on problem gambling in languages other than English and other culturally appropriate activities.

Issue 5: Drug Medi-Cal May Revision Adjustments

Description: The May Revision proposes a net General Fund decrease of \$1.1 million to reflect revised caseload estimates for Drug Medi-Cal.

Background:

- **May Revision:** The Regular Drug Medi-Cal population is projected to be 174,744 in 2005-06, an increase of 3,229, or 1.9 percent above the Governor's Budget. This net change reflects an increase of 4,409 clients in the Outpatient Drug Free Program, the lowest-cost modality in Regular Drug Medi-Cal, and a decrease of 1,110 in the Narcotic Treatment Program, the highest-cost modality in Regular Drug Medi-Cal. In addition to caseload adjustments, the May Revision estimate revises the average units of service upward for the Narcotic Treatment Program and downward for the Outpatient Drug Free and Day Care Rehabilitative programs. The combined effect of the adjustments to caseload and average units of services is a savings \$2,250,000 General Fund, or 3.8 percent reduction in costs from the Governor's Budget for Regular Drug Medi-Cal.

The Perinatal Drug Medi-Cal population is projected to be 7,134 in 2005-06, an increase of 534, or 8.1 percent above the Governor's Budget. This net change reflects an increase in caseload in the Outpatient Drug Free, Day Care Rehabilitative, and Narcotic Treatment programs, and a decrease in caseload in the Residential Program, the highest-cost modality in Perinatal Drug Medi-Cal. Notwithstanding this decrease in caseload, costs within the Residential Program are estimated to increase because of an upward revision to the program's average units of service estimate. The increase in costs in the Residential Program, combined with the increase in caseload in the remaining three programs, contributes to the \$1,146,000 General Fund cost increase in Perinatal Drug Medi-Cal.

- **Rate Reduction:** The Budget Act of 2004 reduced Drug Medi-Cal provider rates to 2002-03 levels during 2004-05. The Governor's Budget proposes to maintain rates at the 2002-03 level in 2005-06.

Drug Medi-Cal providers have requested a 5.0 percent rate increase for 2005-06, due to increased costs in recent years associated with the statewide nursing shortage and increased accreditation costs. The department indicates that at an average cost of \$11 to \$13 per day, methadone maintenance treatment in particular is a cost-effective alternative to incarceration or hospitalization.

Recommendation: Redirect the \$2.2 million (\$1.1 million General Fund) in caseload savings back to the department to increase Drug Medi-Cal rates as a partial offset for the previous rate reduction.

Replace Provision 4 of Item 4200-102-0001 and Provision 5 of Item 4200-103-0001 with the following language:

Of the combined amounts appropriated in Items 4200-102-0001 and 4200-103-0001, \$1,104,000 General Fund, and corresponding reimbursements, is for the purpose of augmenting Drug Medi-Cal rates above the 2002-03 rate level. The department shall establish increases in maximum reimbursement rates for Drug Medi-Cal services in the fiscal year to reflect the additional General Fund and reimbursements appropriated in this item.

Issue 6: Drug Procurement Savings

Description: The LAO recommends that the department report next year on the feasibility of obtaining greater rebates from drug manufacturers for methadone.

Background: The LAO outlined a series of proposals to reduce state costs for purchasing prescription drugs for state programs. A number of these proposals in being carried in pending policy legislation, but a few proposed actions in the health program area were left for action as part of the state budget. One of these pertained to ensuring that the state paid only the "best price" available under the federal Medicaid law for methadone provided under the Drug

Medi-Cal Program administered by DADP. The LAO believes it is possible the changes proposed in methadone reimbursement could eventually result in a state savings of hundreds of thousands of dollars annually. The LAO proposes budget bill language to require the department to report on this topic.

Recommendation: Adopt the proposed budget bill language.

Issue 7: Dependency Drug Courts

Description: The May Revision proposes a one-time augmentation of \$1.1 million for dependency drug court programs, using past year unspent federal Promoting Safe and Stable Families (PSSF) funds. Of this amount, \$900,000 would be transferred from DSS to DADP for the local program costs, and the remaining \$200,000 would be used by DSS to fund an evaluation in 2005-06.

Background:

- **Dependency Drug Courts:** These drug courts work to reduce foster care costs and increase permanency for children by providing substance abuse treatment to parents who are involved in dependency court cases. Failure to comply with a court-ordered plan could result in termination or limitation of parental rights and placing the child or children in foster care. San Diego, Santa Clara, and Sacramento Counties have well-established dependency drug courts that have demonstrated significant positive results, including: reduced time to reunification, greater reunification rates, shorter stays in out of home care (including Foster Care), and greater participation in substance abuse treatment. Many studies have found that for one-third to two-thirds of children involved with the child welfare system, parental substance abuse is a contributing problem.
- **Dependency Drug Court Funding in 2004-05, with Additional Reporting Language:** The Budget Act of 2004 included \$1.8 million federal PSSF funds to expand dependency drug courts, as well as trailer bill language to require DADP and DSS to adopt appropriate data collection and reporting requirements to measure program outcomes and cost-effectiveness, including the amount of foster care savings realized. Of the \$1.8 million appropriated in 2004-05, \$900,000 will be expended from January through June 2005, and \$900,000 will be expended from July 2005 through December 2005.
- **May Revision:** The May Revision proposes \$900,000 to maintain annual expenditures at \$1.8 million for 2005-06. The May Revision also proposes \$200,000 for an independent evaluation of the impact of dependency drug court programs on Child Welfare Services and Foster Care program. The Administration indicates that this full year of funding would allow time for the evaluation of the cost-effectiveness to be completed.

LAO Analysis and Recommendation:

The LAO supports the Administration's proposal, with some modifications. We understand the administration's desire for additional evaluation of program outcomes. However, it seems that an evaluation of participants that entered this program in 2005 will provide only 12 months of data by next year's hearings where ongoing funding will be considered. We are concerned that this level of data may produce insufficient or inconclusive results that will hinder debate on the effectiveness of the program. Therefore, we recommend that this funding be provided for two years, with the intention of receiving a report of evaluation results by January 10, 2007. We are proposing the placeholder trailer bill language to state the intent to fund this program through budget year 2006-07. This would provide time to allow for a more complete evaluation of the program and then review the program evaluation outcomes to consider continued funding. In addition, we are also proposing the addition of specific evaluation guidelines to the trailer bill language. The departments would be requested to designate a research advisory group to develop an evaluation design that focuses on the specific measures that will be helpful in the future funding determination.

Recommendation: Adopt the May Revision proposal in the DADP and DSS budgets, and placeholder LAO recommended trailer bill language.

4700 Department of Community Services and Development (DCSD)**Issue 8: Naturalization Services Program**

Description: The Governor's Budget proposes to eliminate the Naturalization Services Program (NSP), currently budgeted at \$1.5 million General Fund. This program assists legal permanent residents obtain citizenship. The Urban Institute estimates that approximately 2.7 million Californians are eligible for but have not applied for citizenship. The Subcommittee restored \$1.5 million for this program on May 5th. At that hearing NSP service providers testified that NSP allocations were fully expended before the end of the year, and that additional funding would allow additional persons seeking citizenship to be assisted.

Recommendation: Due to the significant need for citizenship services and the benefits to the community of increased citizenship rates, revise the previous action to reflect a total of \$2.5 million General Fund for this program.

5160 Department of Rehabilitation (DOR)**Issue 9: Tuition Cost Increases for DOR Consumers**

Description: The May Revision requests \$908,000 (\$193,000 General Fund) to fund an increase in tuition costs for DOR consumers attending the University of California or the California State

University systems, consistent with tuition increases budgeted in both university systems in the 2005-06 Governor's Budget. DOR provides tuitions support for consumers attending education programs intended for reintroduction into employment.

Recommendation: Approve the requested increase of \$908,000 (\$193,000 General Fund) to fund an increase in tuition costs for DOR consumers.

5175 Department of Child Support Services (DCSS)

Issue 10: Increase Federal Funds to Match Voluntary County Contributions

Description: The May Revision requests \$20 million federal funds drawn down as matching funds for \$10 million in county funding anticipated to be provided by counties for their local child support agencies. The request also includes budget bill language to require counties to be responsible for any additional federal automation penalty amounts that may result from drawing down additional federal funds.

Background:

- **Additional Federal Funds:** A number of counties have requested to use county general funds to provide for cost of doing business increases incurred over the past two years for the Child Support Program, and to draw down a federal match on these funds. The aggregate amount of county funds that the counties have proposed to use is approximately \$10 million. Because the federal government provides a \$2 match for each dollar that state or local governments invest into the Child Support Program, the state may draw down an additional \$20 million in federal matching funds for the proposed county funding.
- **Budget Bill Language:** The state is currently subject to annual federal automation penalties for its failure to implement a statewide child support automation system by the federally-required date. The penalty is equal to 30 percent of the prior federal fiscal year (FFY) expenditures. The state intends to apply for statewide system certification by September 30, 2006, which would relieve the state of paying further penalties while certification is in progress. If the system is not successfully certified, the state would be subject to any penalties that had been held in abeyance while the certification review was in process. The department is therefore proposing budget bill language that would require local child support agencies that draw down additional federal funds to enter into an agreement with the department to pay their portion of the penalty increase in the event that certification is not successful.

The proposed budget bill language is as follows:

Of the amount appropriated in this item, \$20,000,000 is for the purpose of providing a federal match to voluntary county contributions to the Child Support Program. Any county requesting an augmentation of federal

funds for local assistance must enter into an agreement with the Department of Child Support Services that sets forth the amount of augmented federal funds to be received and payment terms, including a provision holding the State harmless for any additional federal penalty costs that might result from this increased spending.

Recommendation: Approve the additional federal fund authority and the proposed budget bill language.

Issue 11: Child Support Recovery Fund

Description: The May Revision requests an increase of \$1.9 million federal funds and a corresponding decrease of \$1.9 million Child Support Recovery Fund, to reflect updated child support collections estimates.

Background: Pursuant to federal guidelines, the department transfers the federal portion of Child Support Assistance Collections (collections that reimburse the government for the costs of providing public assistance) into a separate account called the Child Support Recovery Fund. The department must first use the federal child support collections for administrative program costs before drawing down federal Title IV-D funds. The department semi-annually estimates the amount of federal child support collections it will receive and adjusts its federal fund and Recovery Fund authority accordingly. Based upon most recent collections estimates, federal collections transferred to the Recovery Fund will decrease by \$1,937,000 in 2004-05, creating a need for additional federal fund authority of the same amount.

Recommendation: Approve the requested an increase of \$1.9 million federal funds and a corresponding decrease of \$1.9 million Child Support Recovery Fund, to reflect updated child support collections estimates.

Issue 12: Child Support Automation System Funding

Description: The May Revision requests to carryover \$1.4 million federal funds from the current year to the budget year to reflect delays in deliverables for the California Child Support Automation System (CCSAS). The May Revision also requests \$432,000 federal funds in 2005-06 for Franchise Tax Board (FTB) overtime costs, as a result of accelerating the implementation schedule for CCSAS. The General Fund portion of the requested carryover and overtime is reflected in the May Revision for the FTB, which is managing the development of the CCSAS.

Background:

- **Deliverables Delayed:** Two project deliverables that were scheduled to be completed in the current year have been delayed. According to the DCSS and FTB, the delay of these

deliverables will not jeopardize the project schedule as a whole, and specifically, the implementation of CCSAS Version I by September 2006. These deliverables are:

- The conversion of a local automation system to one of the two systems included in the implementation of Version I of CCSAS was delayed due to the need to complete a modification to the local child support automation system to increase the efficiency of the interface it has with other social services systems prior to conversion. The federal fund share of this deliverable is \$1,033,000.
- The purchase of software and software licensing agreements for the CCSAS project. The software and software licensing purchases were delayed due to the need for further evaluation of the software needed by the State and vendor for the project. The federal fund share of this deliverable is \$366,000.
- **FTB Overtime:** In November 2004, the Legislature was notified that the Child Support Enforcement (CSE) project schedule would be accelerated by five months to provide for sufficient time for system testing to ensure successful implementation of CCSAS Version I in September 2006. The FTB has identified the need for additional overtime support as the result of accelerating the implementation schedule of CSE component of the CCSAS project schedule. The federal fund share of these proposed overtime costs is \$432,000.

Recommendation: Approve the requested carryover and increase of federal funds for CCSAS.

5180 Department of Social Services (DSS)

Issue 13: Community Care Licensing Trigger Elimination Proposal

Description: The 2003 Budget Act reduced the frequency of Community Care Licensing (CCL) annual visits, but also included a statutory trigger to increase the number of annual visits if the number of annual citations exceed the previous year's total by 10 percent or more. The Governor's Budget proposed to eliminate this trigger, but the May Revision proposed to rescind the January proposal and maintain the trigger.

Background: Eliminating the trigger could have resulted in savings of \$2.6 million (\$2.2 million General Fund). Although the total number of citations are estimated to increase by 9.5 percent in the current year (which is less than the 10 percent trigger), the department estimates that it will only complete 84 percent of the annual and random visits required in the current year.

Recommendation: Conform to Assembly: Reinstate the trigger and adopt supplemental reporting language recommended by the LAO to require the department to report to the Legislature in December on the number of citations, complaints, and visits completed.

Issue 14: Gresher v. Anderson Decision on Criminal Background Check Process

Description: The May Revision requests an increase of \$596,000 (\$392,000 General Fund and \$204,000 Federal Trust Fund) in Community Care Licensing (CCL) state operations for 6.0 limited-term positions (5.5 two-year and 0.5 one-year, limited-term) and \$847,000 (\$837,000 General Fund) in local assistance to comply with the recent *Gresher v. Anderson* court decision ordering the DSS to revise its current criminal background check process to protect the rights of employees working in community care facilities licensed by the DSS. The department indicates that this request would provide resources to implement the specific requirements of the court ruling and ensure that other intake and exemption functions in the Community Care Licensing Division would not be suspended or delayed.

Background: CCL is responsible for licensing adoption agencies, foster care agencies and homes, childcare homes and centers and residential care facilities for disabled and elderly adults. As part of its licensing function, the CCL Criminal Background Check Bureau (CBCB) must ensure that persons licensed to operate these facilities, provide care to facility clients, or reside at the facility location, receive a comprehensive criminal background check.

Recommendation: Approve the request for positions to comply with *Gresher v. Anderson*.

DSS Issue 15: Community Care Licensing – Fee-Exempt LiveScan

Description: Current statute would exempt certain small child care home providers and foster family homes from paying a \$40 fee for their fingerprinting and criminal record checks, effective July 1, 2005. This exemption was suspended in 2003-04 and 2004-05, and the Governor's Budget proposes trailer bill language to permanently eliminate the fingerprint fee exemption, which would result in annual General Fund savings of \$1.5 million.

Background: California requires persons working or volunteering at community care facilities and family day care facilities to be fingerprinted and have criminal background checks. Generally, licensees are required to pay for the fingerprinting process, although certain providers have been historically exempted or partially exempted from the required fees. These exemptions include providers in any small home that serves 6 or fewer children, including family day care homes, certified family homes, or foster family homes. The fees that have been exempted include a \$16 LiveScan fee and a \$24 FBI fee, for a total of \$40 per applicant.

In 2003-04 and 2004-05 the Legislature suspended this exemption, and those providers were required to pay fees of \$40 for their fingerprinting and background checks.

Recommendation: Amend the proposed trailer bill language to suspend the exemption for one additional year.

DSS Issue 16: May Revision Caseload Adjustments

Description: The May Revision proposes adjustments in funding to reflect caseload updates for CalWORKs, Foster Care, IHSS, SSI/SSP, Food Stamps Administration, and Child Welfare Services.

Background: The May Revision proposes a reduction of \$197,383,000 (\$74,437,000 General Fund, \$104,610,000 Federal Trust Fund, \$17,854,000 Reimbursements, \$532,000 Child Support Collections Recovery Fund, and an increase of \$50,000 CWS Program Improvement Fund), due to the impact of caseload changes since the Governor's Budget, as displayed in the following table:

May Revision Caseload Adjustments

Program	Item	Issue #	Change Since Governor's Budget
CalWORKs	5180-101-0001	101	\$9,744,000
	5180-101-0890	101	-\$106,536,000
	5180-601-0995	101	\$62,000
Foster Care	5180-101-0001	101	-\$18,087,000
	5180-101-0890	101	-\$6,637,000
	5180-101-8004	101	-\$532,000
	5180-141-0001	141	-\$991,000
	5180-141-0890	141	-\$1,554,000
Adoption Assistance Program	5180-101-0001	101	-\$1,033,000
	5180-101-0890	101	-\$6,443,000
Supplemental Security Income/State Supplementary Payment (SSI/SSP)	5180-111-0001	111	-\$46,981,000
In-Home Supportive Services (IHSS)	5180-111-0001	111	-\$6,485,000
	5180-611-0995	111	-\$17,882,000
Child Welfare Services	5180-151-0001	151	-\$13,322,000
	5180-151-0890	151	\$16,145,000
	5180-151-8023	151	\$50,000
	5180-651-0995	151	-\$774,000
Other Assistance Payments	5180-101-0001	101	\$75,000
	5180-101-0890	101	-\$885,000
County Administration and Automation Projects	5180-141-0001	141	\$1,941,000
	5180-141-0890	141	\$653,000
	5180-641-0995	141	\$740,000
Remaining DSS Programs	5180-151-0001	151	\$702,000
	5180-151-0890	151	\$647,000

The May Revision also requests that language in Item 5180-402 be modified to decrease the amount of TANF Block Grant funding to be transferred to the Department of Education for CalWORKs child care from \$384,250,000 to \$349,923,000 due to a decreased Stage 2 child care caseload projection.

LAO Recommendation: Before the May Revision, both the Assembly and the Senate took action to recognize \$118.5 million in TANF savings identified by the LAO for 2004-05 and increase that carry-forward balance for 2005-06 by the same amount. At this time, the LAO recommends that the Legislature adopt the May Revision caseload adjustments and rescind the previous action on LAO findings.

In February, the LAO recommended a reduction in funding for the Cash Assistance Program for Immigrants (CAPI) because the caseload was overstated. The May Revision recognizes this caseload overestimate and reduces funding for CAPI by \$5 million. However, the LAO's review of the most recent actual data indicates that the caseload is still overstated by about 3 percent as of February 2005. Accordingly, they recommend reducing funding for CAPI, beyond the Governor's May Revision, by \$2,450,000 in 2005-06 to account for this caseload reduction.

Recommendation: Adopt the LAO recommendation to rescind previous action on LAO findings and adopt the May Revision caseload adjustments. Adopt the LAO recommendation to reduce CAPI funding by \$2,450,000 to reflect reduced caseload. Maintain the Subcommittee's prior action to reinvest Foster Care Administration savings in county Foster Care Administration.

DSS Issue 17: Nursing Initiative

Description: The May Revision requests a decrease of \$5.0 million Employment Training Fund in DSS to provide funding for the Administration's Nursing Initiative, under the Employment Development Department. A corresponding General Fund increase is also requested to backfill CalWORKs employment services, which had been scheduled to use the \$5.0 million Employment Training Fund monies. This proposal requires trailer bill language.

The Administration's Nursing Initiative will be heard by Senate Subcommittee No. 5, under the Employment Development Department's budget.

Recommendation: Conform to action taken in Senate Subcommittee No. 5, and approve the Employment Training Fund reduction and General Fund backfill.

DSS Issue 18: Food Stamp Simplification Options

Description: The May Revision proposes a reduction of \$276,000 General Fund to reflect savings for changes in simplification of Food Stamp eligibility. The Governor's Budget included proposed administrative changes to facilitate the enrollment of eligible persons in Food Stamps by simplifying the eligibility process.

Recommendation: Adopt the May Revision Food Stamp simplification changes.

Issue 19: State and Federal Cost of Living Adjustments (COLAs) for Supplemental Security Income/State Supplemental Payment (SSI/SSP)

Description: The May Revision maintains the Governor's Budget proposal to withhold the January 2006 state and federal Cost of Living Adjustments (COLAs), for savings of \$228 million General Fund in 2005-06, and \$456 million General Fund annually.

- **Annual COLA Adjustments:** Under current law, both the federal and state grant payments for SSI/SSP recipients are adjusted for inflation each January through Cost of Living Adjustments (COLAs). Federal law provides an annual SSI COLA based on the Consumer Price Index, and state law provides an annual SSP COLA based on the California Necessities Index.
- **May Revision:** The May Revision proposes to withhold the January 2006 2.6 percent federal SSI COLA, for savings of \$97 million General Fund in 2005-06, and \$194 million annually. This is achieved by reducing the state SSP component of the grant by the same amount as the January 2006 SSI COLA. The budget also proposes to suspend the January 2006 4.07 percent state SSP COLA, for savings of \$131 million General Fund in 2005-06, and \$262 million General Fund annually.

The Administration indicates that even with these actions, California continues to provide the highest level of cash grants to SSI/SSP recipients among the ten most populous states.

The January 2006 COLAs proposed for suspension would have increased the maximum grant for an individual by approximately \$33, to \$845 per month, and would have increased the maximum grant for a couple by approximately \$58 to \$1,495 per month. The LAO estimates that approximately 1,200 SSP-only recipients would become ineligible for SSP under this proposal. Becoming ineligible for SSI/SSP may result in a Medi-Cal share of cost for affected individuals.

- **Eroding Value of SSI/SSP Grant:** Grant levels have not kept pace with inflation in recent years due to the suspension of the January 2004 SSP COLA and the deferral of the January 2005 COLA until April 2005. Suspension of the January 2006 COLAs would further erode the ability of grant payments to keep pace with cost of living increases, such as rising food, housing, and transportation costs.

Since 1990, rent prices have increased by 36 percent and the SSI/SSP purchasing power has declined by 18 percent. Without the COLA, beneficiaries will face additional pressure to reduce spending on food or utilities as housing costs increase.

Recommendation: Reject the Governor's proposal to suspend the federal SSI January 2006 COLA and the state SSP January 2006 COLA.

Issue 20: Delayed Cash Assistance Program for Immigrants (CAPI) Advocacy

Description: The May Revision reflects an increase of \$1.6 million due to delayed implementation of the Cash Assistance Program for Immigrants Advocacy program. The Governor's Budget assumed a December 1, 2004 implementation date, which has been delayed to March 2005 as a result of county staffing and workload issues, as well as delays in Supplemental Security Income eligibility decisions.

The department indicates that most, if not all counties have started some sort of CAPI advocacy program during the first few months of the year. For example San Mateo, the Bay Area Consortium leader, started its program in October and indicates all of its member counties have started up some sort of program beginning early this year. Its members include the following targeted counties: Alameda, Contra Costa and Solano. The following counties have some sort of advocacy program: San Francisco, Santa Clara and San Diego. Orange and Riverside counties visited Los Angeles in December to gather information on Los Angeles's advocacy program, so they are pursuing this as well. County staffing and workload issues have caused delays, but based on the information above, counties are making progress towards implementation.

Recommendation: Approve the May Revision adjustment to CAPI Advocacy.

Issue 21: In-Home Supportive Services (IHSS) Share of Cost

Description: The May Revision proposes an increase of \$10.6 million General Fund to apply Medi-Cal share of cost rules to IHSS recipients.

Due to the federal IHSS Plus Waiver adopted last year, IHSS recipients must now have a Medi-Cal eligibility determination. Currently they are determined eligible for IHSS based on SSI/SSP eligibility standards. Some recipients who do not currently have an IHSS share of cost may be required to have a share of cost under Medi-Cal standards, since Medi-Cal standards apply a lower maximum income level before a share of cost is required, compared to the SSI/SSP share of cost standards. The proposed funding would allow an average monthly caseload of 8,029 IHSS consumers to maintain IHSS eligibility without a higher share of cost.

Recommendation: Adopt the May Revision adjustment to apply Medi-Cal share of cost rules to IHSS recipients.

Issue 22: Peer Quality Case Reviews

Description: The May Revision proposes an increase of \$575,000 (\$305,000 General Fund and \$270,000 Federal Trust Fund) to provide funding for counties to backfill and cover travel costs for probation officers to travel to other counties and participate in Peer Quality Case Reviews (PQCR) as required by Chapter 678, Statutes of 2001 (AB 636). PQCRs are key components of

California's new Outcomes and Accountability System to evaluate county operations of CWS based on federal performance reviews and the state's current Program Improvement Plan (PIP).

Recommendation: Adopt the May Revision proposal for Peer Quality Case Reviews.

Issue 23: Indian Child Welfare Act

Description: The federal Indian Child Welfare Act (ICWA) governs the proceedings for determining the placement of an Indian child when that child is removed from parental custody. Due to the complexity of ICWA, additional information and support for local entities may be needed to ensure ICWA compliance.

Background: In 1978, Congress enacted the Indian Child Welfare Act (ICWA) to address the systemic problems facing Native American tribes and families concerning their children; the act set out procedures for notice to tribes and families in cases of adoption, foster placement, dependency and neglect proceedings against parents, and other situations where parental rights of Native Americans were at risk. The provisions of the ICWA represent a dramatic departure from the procedural and substantive laws that most states have enacted to govern child custody proceedings. Because Indian children are treated uniquely in the legal system, and because there is an increasing number of court proceedings involving Indian children, the need for lawyers to understand the ICWA is fast becoming imperative.

Recommendation: Approve \$150,000 (\$75,000 General Fund) and establish 1.0 position to work with stakeholders and support ICWA compliance. Adopt placeholder trailer bill language to specify that the department should coordinate training and technical assistance for counties on ICWA.

Issue 24: Kinship/Foster Care Emergency Funds

Description: The May Revision proposes an increase of \$600,000 Federal Trust Fund to provide emergency one-time funds to approximately 1,400 additional relative caregivers and foster parents to assist with housing needs and short-term support services. The federal government recently provided policy clarification that certain administration costs for the Kinship/Foster Care Emergency Funds program are eligible for matching Title IV-E funds.

Recommendation: Adopt the May Revision proposal for Kinship/Foster Care Emergency Funds.

Issue 25: Child Welfare Services (CWS) Outcome Improvement Project

Description: The May Revision proposes a decrease of \$5,869,000 (\$2,666,000 General Fund and \$3,203,000 Federal Trust Fund) for the Child Welfare Services (CWS) Program Improvement Plan (PIP) to reflect a revised implementation strategy.

Background: This revised proposal, developed in consultation with key stakeholders, would:

- Continue the implementation and evaluation of CWS PIP activities in the initial 11 counties funded at the 2004-05 appropriation level;
- Suspend expansion to the second cohort of counties pending a thorough evaluation of measurable data from the first pilot group;
- Redirect resources proposed for PIP expansion to support efforts to improve AB 636 performance and federal improvement measures; and
- Add Item 5180-492 to reappropriate unspent federal Promoting Safe and Stable Families (PSSF) and State Children's Trust Fund (SCTF) funds from 2004-05 to 2005-06 to support county activities associated with implementation of System Improvement Plans (SIP) and ongoing PIP initiatives. This funding would be reallocated to Cohort 1 counties for specified CWS PIP initiatives, to support specified CWS program improvement and AB 636 activities.

Recommendation: Adopt the May Revision proposal, as amended to reflect an additional \$3.5 million General Fund for additional CWS Outcome Improvement Project funding, and funding for a Point of Engagement model expansion evaluation.

Issue 26: SB 2030 Caseload Reporting

Description: The Subcommittee will consider adopting reporting language regarding SB 2030 (Costa, Chapter 785, Statutes of 1998).

Background:

In 1998 SB 2030 required the Department of Social Services to commission a study of counties' caseloads. At the time, the study concluded that for most categories the caseloads per-worker were twice the recommended levels. According to the study, it was difficult for social workers to provide services or maintain meaningful contact with children and their families because of the number of cases they were expected to carry.

The LAO believes the Legislature should be informed of the progress that is being made toward reducing social worker caseloads and the steady movement toward the SB 2030 recommendations. Toward this end, they recommend enactment of legislation that requires DSS

to submit a county specific social worker staffing ratio report annually no later than January 31. This report should provide each county the social worker staffing ratios compared to the Child Welfare Services Workload Study's (SB 2030) minimum and optimum caseload standards and the agreed upon 1984 standards. The methodology for measuring the individual county staffing ratios should take into account funding from the CWS augmentation, hold harmless funding, and any other funding that is used for social worker staffing. The LAO believes that the additional workload generated by this requirement would be minimal because the current budget is built individually for each of the 58 counties. Therefore, there should not be any state staffing increases needed to produce this report.

The Subcommittee considered this proposal on April 14th and directed the LAO, CWDA and Department of Social Services to develop Trailer Bill Language requiring an annual update on how county staffing compares to the SB 2030 study standards.

Recommendation: Adopt placeholder Trailer Bill Language requiring the Department of Social Services to report at the time of budget hearings, comparing the Governor's proposed budget for CWS, including the augmentation and hold harmless funds, to the caseload standards recommended by the SB 2030 study updated for cost-of-doing business and the use of CWS funds for non-case-carrying activities.

Issue 27: CalWORKs Program Funding

Description: The May Revision maintains a number of the Governor's proposed reductions in the CalWORKs program, including a 6.5 percent grant reduction, elimination of the CalWORKs Cost of Living Adjustment (COLA), Child Care Reform, and transfers of federal Temporary Assistance to Needy Families (TANF) funding to non-CalWORKs programs. The May Revision also rescinds the Governor's Budget proposal to reduce the CalWORKs Earned Income Disregard, and the proposal to increase CalWORKs sanctions and work requirements.

Background: The May Revision maintains the following CalWORKs reductions:

- **Reduce CalWORKs Grants by 6.5 percent.** The Governor's Budget proposed to reduce CalWORKs grants by approximately 6.5 percent, resulting in savings of \$212 million. The May Revision amended this proposal to implement the grant reduction effective October 1, 2005, resulting in savings of \$160 million. For a typical family of three, the maximum grant would be reduced from \$723 to \$676 per month.
- **Eliminate CalWORKs Cost of Living Adjustment (COLA).** The budget proposes to suspend the July 2005 COLA, and permanently suspend all future CalWORKs COLAs, resulting in savings of \$135.5 million.
- **Child Care Reform.** The budget proposes to reduce license-exempt child care reimbursement levels, and establish a tiered reimbursement structure for all child care providers, resulting in savings of \$163 million in DSS and the California Department of Education (CDE).

- **Reduce Employment Services Funding.** The budget proposes to eliminate \$50 million in 2005-06 that was included in the 2004 Budget Act for CalWORKs employment services.
- **County Pay for Performance Proposal.** The budget proposes to tie county administration funding to CalWORKs client work participation rates, for projected savings of \$22 million. The May Revision proposes \$30 million in the TANF reserve to be used in 2006-07 as an incentive for counties who meet specific CalWORKs program outcomes in 2005-06. This \$30 million would be in lieu of the Governor's Budget proposal to hold back 5 percent of the counties' single allocation in 2005-06 as an incentive. The Administration indicates it is continuing to work with stakeholders to develop the outcome measures and criteria for allocation of the funds. Revised trailer bill language is required for this proposal.
- **TANF Transfers.** The May Revision also includes \$192 million TANF transfers to Title XX funded programs, which is significantly higher than the \$63 million in TANF transfers to Title XX in the 2004 Budget Act. In addition, the May Revision maintains the Governor's Budget proposal to use \$201 million in TANF funding for Juvenile Probation. In the current year Juvenile Probation is funded with \$67.2 million TANF and \$134.3 million General Fund, as the statute that allowed TANF to fund Juvenile Probation expired on October 31, 2004. Trailer bill language is proposed to enable TANF to be used for Juvenile Probation.

The May Revision rescinds the following CalWORKs reductions:

- **Reduce Earned Income Disregard.** The Governor's Budget proposed to reduce the Earned Income Disregard for CalWORKs families, resulting in \$82 million savings. The May Revision rescinds this proposal.
- **Increase Sanctions and Work Requirements.** The Governor's Budget proposed to expand the CalWORKs work participation reforms based a pending evaluation of CalWORKs sanction policies, for estimated savings of \$12 million. Due to a late report on sanctions by RAND, the May Revision rescinds this proposal. On May 11th the Assembly rejected the proposal due to the late report.

Recommendation:

1. **Reject** the CalWORKs sanctions proposal.
2. Accept the May Revision proposal to rescind the CalWORKs Earned Income Disregard Reduction proposal.
3. Adopt placeholder trailer bill language from County Welfare Directors Association on the Pay for Performance proposal.

4. **Reject** the following proposals (including associated trailer bill language):
 - a. Reduce CalWORKs grants (including rejection of proposed trailer bill language to delete the October 2003 COLA in the event that the state loses its appeal in the *Guillen* case).
 - b. Eliminate CalWORKs COLAs
 - c. Child Care Reductions (conform to Assembly and to Senate Subcommittee No. 1)
5. Redirect \$201 million TANF from Juvenile Probation back to CalWORKs grants and child care, and backfill the TANF in Juvenile Probation with General Fund (conforming to action in the Assembly and Senate Subcommittee No. 5).
6. Fund the CalWORKs COLA by replacing \$135 million in TANF Transfers to CWS, Department of Developmental Services, and Foster Care for Title XX with General Fund (reject the trailer bill language to allow new TANF transfers to Title XX for Foster Care). Use the \$135 million in TANF to restore the CalWORKs COLA.
7. Shift needed funds from the TANF reserve to fund CalWORKs and child care (conform to Assembly).

Issue 28: CalWORKs Performance Monitoring Proposal

Description: The Governor's Budget requests \$794,000 for 8.0 positions to monitor and improve the measurement of county CalWORKs performance. This proposal includes collecting and validating county work participation data to ensure that the department has accurate data about the participation of CalWORKs recipients in Welfare-to-Work activities throughout the state. The County Welfare Directors Association (CWDA) has suggested trailer bill language to have the department work with CWDA and the Legislature to develop mutually agreed-upon approaches to improving data collection and management reporting information in the CalWORKs program.

Recommendation: Adopt placeholder trailer bill language to improve CalWORKs data collection and management reporting information.

Issue 29: Quarterly Reporting/Prospective Budgeting

Description: The May Revision reflects \$152 million in grant costs and \$181 million in administrative savings in 2005-06 due to implementation of prospective budgeting/quarterly reporting for the CalWORKs, Food Stamps, California Food Assistance Program (CFAP), and Refugee Assistance programs. The California Welfare Directors Association (CWDA) indicates that actual savings as result of prospective budgeting is significantly less than the amount estimated by the department.

Background:

The 2002 Budget trailer bill authorized the replacement of the Retrospective Budgeting/Monthly Reporting system with the Prospective Budgeting/Quarterly Reporting system. This change was intended to reduce the Food Stamp error rate. Counties transitioned to prospective budgeting between November 2003 and June 2004.

The California Welfare Directors Association indicates that administrative savings are overstated because:

- DSS assumed that caseworker time would decline by about 55 percent, but CWDA indicates time would decline by about 11 percent, or one-fifth of DSS estimate.
- County time studies conducted before Quarterly Reporting was implemented indicate that much less administrative time is devoted to processing monthly reports than the department assumes in its estimate. County time studies after Quarterly Reporting was implemented support this assumption.
- Department assumptions regarding the cost per hour of staff time after Quarterly Reporting was implemented understate county costs. For example, counties may not be able to reduce facility, supervisor, and clerical costs at the same rate as line staff.
- County data suggests much higher costs to process mid-quarter reports than assumed by the department. Although counties and the department have similar assumptions regarding the number of mid-quarter reports to process, they do not assume the same costs/person to process the reports.

The May Revision assumes \$55 million (\$20 million General Fund) savings in Food Stamp and CFAP administration for prospective budgeting, but CWDA indicates this savings should only be \$11 million (\$4 million General Fund). Absent full restoration to reflect the revised savings estimate, CWDA requests that the DSS savings estimate for Food Stamps administration be reduced by \$25 million (\$10 million General Fund), to \$30 million (\$9 million General Fund).

The May Revision also assumes \$126 million TANF/General Fund savings in CalWORKs administration for prospective budgeting. The CWDA requests trailer bill language to allow unspent prior year TANF to be transferred to the budget year to offset the DSS savings estimate for prospective budgeting in CalWORKs by \$50 million.

Recommendation:

1. Adopt placeholder trailer bill language to allocate unspent prior-year TANF funding to counties in 2005-06 for CalWORKs Administration (conform to Assembly).
2. Reduce Prospective Budgeting/Quarterly Reporting savings in Food Stamp and CFAP Administration by \$10 million General Fund (conform to Assembly).

Discussion Agenda**5180 Department of Social Services (DSS)****Issue 30: Adoption Assistance Program (AAP) Technical Assistance**

Description: The Adoption Assistance Program (AAP) provides grants and benefits to parents who adopt “difficult to place” children. These benefits are intended to help defray costs associated with children’s special needs. Concerns have been raised that AAP benefits are being provided inconsistently throughout the state. Sierra Adoption Services requests the establishment of an AAP Training and Technical Assistance Program to meet the federal Child Welfare Program Improvement Plan (PIP) requirements to provide AAP training.

Questions:

1. DSS, what type of AAP and related program training is available for county workers, and is any of that training and information on AAP available for other organizations, judicial officers, foster parents, potential adoptive parents and current adoptive parents?

Recommendation: Approve \$100,000 General Fund and matching federal funds for the provision of statewide Adoptions Assistance Program training (conform to Assembly).

Issue 31: Effect of Unallocated Reduction on Community Care Licensing
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Description: The Governor's Budget proposed an unallocated reduction of \$8.7 million General Fund for DSS state operations, which represents a 13 percent reduction in the total General Fund budget for the department.

Background:

The Governor's Budget included \$150 million General Fund savings due to unallocated reductions in state operations budgets. The departments with the largest proposed reductions are:

Dept	GF \$ (thousands)	GF state ops Gov Budget (thousands)	Percent Reduction
Department of Corrections	*-95,294	6,053,645	-1.6%
Department of Health Services	-11,259	247,392	-4.8%
Department of Social Services	-8,702	73,718	-13.4%
Franchise Tax Board	-7,840	504,517	-1.6%
Department of Forestry and Fire Protection	-6,696	429,297	-1.6%
Augmentation for Employee Compensation	-2,888		
Department of Developmental Services	-2,219	24,138	-10.1%
Department of Parks and Recreation	-1,567	100,976	-1.6%
Department of Food and Agriculture	-1,159		
Department of Veterans Affairs	-973		
Department of Industrial Relations	-955		
Department of Mental Health	-949		
Augmentation for Contingencies or Emergencies	-764		
Office of Emergency Services	-614		
Department of Food and Agriculture	-597		

*Subsequently reduced to approximately \$42 million.

Community Care Licensing (CCL) is funded by \$20 million General Fund, which represents 24 percent of the total \$82 million General Fund in DSS state operations. At earlier hearings on CCL the department indicated that all required licensing visits had not been completed because CCL positions were held vacant to achieve salary savings from previous unallocated reductions. DSS has committed to fill these positions, and is holding the first Licensing Program Analyst

open exam in many years. However, it is still unknown which positions the department will hold vacant to achieve the unallocated reduction.

The Department of Finance indicates that in addition to specific reductions in major program areas, state operations budgets for departments within the Administration are proposed to be reduced by a total of \$150 million General Fund in 2005-06. The departments have the flexibility to use lay-offs, hiring freezes, procurement reductions, or other administrative means to achieve these reductions, at the departments' discretion. These reductions do not apply to entities outside of the Administration. However, in light of the existing State fiscal situation, the Administration invites Constitutional Officers and the other co-equal branches of State government to participate in the endeavor to reduce their General Fund budgets.

The following were exempt from the unallocated reductions: Must-pay/Debt Service type of payments (e.g., GO, LR, POB, RANs, pension contribution, health/dental for retired annuitants) and accounting items (e.g., prorata). Legislature, Judicial, Constitutional Officers (exempt Governor's Office), Fire E-fund, P98, Higher Ed compact.

Questions:

1. DSS, please describe the impact of the unallocated reduction.

Recommendation: Adopt placeholder trailer bill language to require the department to report to the Legislature no later than September 30, 2005 on how the unallocated reduction will be distributed and the resulting programmatic affects, and in particular the expected affect on CCL.

Issue 32: SB 1104 CalWORKs Clarification

Description: SB 1104, the 2004-05 human services budget trailer bill, established a number of changes in the CalWORKs program, including provisions regarding the flexibility of activities that may count toward the required 32/35 work hours to maintain CalWORKs eligibility. The Administration's interpretation of these provisions has been under dispute.

Background: An adult in a one-parent assistance unit is required to participate in Welfare to Work (WTW) activities for an average of 32 hours per week, each month. In two-parent households, one or both adults must participate in WTW activities for a combined total of an average of 35 hours per week, each month, with one participating for at least 20 hours per week. Adults are required to participate in at least 20 hours per week of core work activities and the balance of their 32/35 hour per week participation requirement can be spent in other non-core activities that will aid recipients in obtaining employment. Noncompliance with work requirements results in a grant reduction equal to the adult's portion.

The department indicates that SB 1104 establishes CalWORKs approved Core and Non-Core WTW activities as outlined below. The department's interpretation that is under dispute is that if hours in Non-Blendable Non-Core activities are included in the WTW plan, then hours in *any*

Non-Core activity (including Blendable Non-Core) cannot count towards the core hours requirement.

Core Activities:

- a) Unsubsidized Employment
- b) Subsidized private sector employment
- c) Subsidized public sector employment
- d) Work experience
- e) On-the-job training
- f) Grant-based on the job training
- g) Supported work or transitional employment
- h) Work study
- i) Self-employment
- j) Community Service
- m) Vocational education and training (up to 12 months)
- n) Job search and job readiness assistance

Blendable Non-Core:

- k) Adult basic education
- l) Job skills training directly related to employment
- o) Education directly related to employment
- q) Mental health, substance abuse, domestic violence services

Non-Blendable Non-Core:

- m) Vocational education and training (post 12 months)
 - p) Satisfactory progress in a secondary school
 - r) Other activities necessary to assist an individual in obtaining employment
 - s) Participation required by the school to ensure the child's attendance
- Non-credited study time [pursuant to Section 42-716.272(a)]

Questions:

1. DSS, please present the key elements of SB 1104 with regard to Core and Non-Core WTW hours.

Recommendation: Adopt placeholder trailer bill language that clarifies that activities currently counted toward the 20 hours of core welfare-to-work (WTW) activities not be excluded because a client is engaged in other activities that are not clearly designated as either core or non-core activities. Trailer bill language would also indicate that hours spent making satisfactory progress in a secondary school is an allowable WTW activity under specified conditions (conform to Assembly).